

2000 Resident Personal Income Tax 140

Who Must Use Form 140?

You (and your spouse if married filing a joint return) may file Form 140 only if you are full year residents of Arizona.

You must use Form 140 rather than Form 140A or Form 140EZ to file for 2000 if any of the following apply to you.

- You are single, head of household, married filing a separate return, or married filing a joint return and your Arizona taxable income is \$50,000 or more.
- You are making adjustments to income.
- You itemize deductions.
- You claim tax credits other than the family income tax credit, the property tax credit, or the Clean Elections Fund tax credit.
- You had taxable dividend income of more than \$400, and you are not eligible to file Form 140EZ.
- You had taxable interest income of more than \$400, and you are not eligible to file Form 140EZ.

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona		
You must file if you are:	AND your gross income is at least:	OR your Arizona adjusted gross income is at least:
• Single	\$15,000	\$ 5,500
• Married filing jointly	\$15,000	\$11,000
• Married filing separately	\$15,000	\$ 5,500
• Head of household	\$15,000	\$ 5,500

If you are an Arizona resident, you must report income from **all** sources. This includes out-of-state income.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax.

Income Arizona law does not tax includes:

- Interest from U.S. Government obligations
- Social security retirement benefits received under Title II of the Social Security Act
- Benefits received under the Railroad Retirement Act

You can find your Arizona adjusted gross income on line 18 of Arizona Form 140.

NOTE: Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.

CAUTION: Gross income for filing purposes may not be the same as Arizona gross income for estimated payment purposes. See page 3 of these instructions to see if you have to make estimated income tax payments.

Do You Have to File if You Are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned all of your income on that reservation.

To find out more, see Arizona Department of Revenue Income Tax Ruling *ITR 96-4*.

Do You Have to File if You Are a Non-Indian or Non-Enrolled Indian Married to an American Indian?

You must file if you meet the Arizona filing requirements. For details on how to figure what income to report, see Arizona Department of Revenue Income Tax Ruling *ITR 96-4*.

Do You Have to File if You Are in the Military?

You must file if you meet the Arizona filing requirements.

If you are an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military*.

If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have to File an Arizona Return?

In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, you should get Arizona Department of Revenue Income Tax Procedure ITP 92-1.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did **either** of the following during 2000.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return*.

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2000, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date

of death after the decedent's name.

If your spouse died in 2000 and you did not remarry in 2000, or if your spouse died in 2001 before filing a return for 2000, you may file a joint return. If your spouse died in 2000, the joint return should show your spouse's 2000 income before death, and your income for all of 2000. If your spouse died in 2001, before filing the 2000 return, the joint return should show all of your income and all of your spouse's income for 2000. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

You may also have to file fiduciary income tax or estate tax returns. For details about filing a fiduciary income tax return, call the department at (602) 255-3381. For details about filing an estate tax return, call the department at (602) 542-4643.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

What Are The Filing Dates And Penalties?

When Should You File?

April 15, 2001 falls on a Sunday. Therefore, your 2000 calendar year tax return is due no later than midnight, April 16, 2001. File your return as soon as you can after January 1, but no later than April 16, 2001.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.

To get a filing extension, you can either:

1. Apply for a state extension (Form 204). To apply for a state extension, file Arizona Form 204 by April 16. See Form 204 for details.

You must attach a copy of the Arizona extension to the front of your return when you file. If you must make a payment, use Arizona Form 204.

2. You may use your federal extension (federal Form 4868 or 2688). File your Arizona return by the same due date. If you are filing under a federal extension, you do not have to attach a copy of your federal extension to your return, but make sure that you check either box D or F on page 1 of the return.

When Should You File if You Are a Nonresident Alien?

You must file your Arizona tax return by April 16, even though your federal income tax return is due on June 15. If you want to file your Arizona return when you file your federal return, you may ask for an extension. See Form 204 for extension filing details.

What if You File or Pay Late?

If you file or pay late, the department can charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2000 calendar year return by April 16, 2001, your return will not be late. You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

Late Filing Penalty

If you file late, the department can charge you a late filing penalty. This penalty is 5 percent of the tax found to be remaining due for each month or fraction of a month the return is late. This penalty cannot exceed 25 percent of the tax found to be remaining due.

Late Payment Penalty

If you pay your tax late, the department can charge you a late payment penalty. This penalty is 10 percent of the tax not paid on time.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 90 percent of the tax shown on your return by the return's original due date. If you do not pay this amount, the department can charge you a penalty. The department can also charge you this penalty if you do not attach a copy of the Arizona extension to your return when you file. This penalty is one-half of one percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The department charges this penalty from the original due date of

the return until the date you pay the tax. This penalty cannot exceed 25 percent of the unpaid tax.

NOTE: If you are subject to two or more of the above penalties, the total cannot exceed 25 percent.

Interest

The department charges interest on any tax not paid by the due date. The department will charge you interest even if you have an extension. If you have an extension, the department will charge you interest from the original due date until the date you pay the tax. The Arizona rate of interest is the same as the federal rate.

When Should You Amend a Return?

If you need to make changes to your return once you have filed, you should file Form 140X, *Individual Amended Return*. Do not file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If the Internal Revenue Service makes a change to your federal taxable income for any year, you must file a Form 140X for that year. In this case, you must amend your Arizona return within 90 days of the change. Attach a complete copy of the federal notice to your Form 140X.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file the Form 140X within 90 days of amending your federal return.

Do You Need To Make Estimated Payments in 2001?

You must make Arizona estimated income tax payments during 2001 if either of the following apply.

1. You reasonably expect your Arizona gross income will exceed \$75,000 in 2001.
2. Your Arizona gross income in 2000 was greater than \$75,000.

Your federal adjusted gross income is your Arizona gross income.

Make sure you use ordinary business care and prudence when you project your income for 2001.

NOTE: Arizona's community property laws may have an effect on whether you have to make estimated payments. For details, see Arizona Department of Revenue Income Tax Ruling ITR 92-1.

If you have to make Arizona estimated payments for 2001, your payments must reasonably reflect your 2001 Arizona

income tax liability. Your combined Arizona estimated income tax payments and Arizona withholding must total one of the following.

1. 90 percent of the tax due for 2001.
2. 100 percent of the tax due for 2000.

You can use your 2000 tax to figure the amount of payments that you must make during 2001 only if you were required to file and did file a 2000 Arizona income tax return.

What if You Make Your Estimated Payments Late?

The department will charge you a penalty if you fail to make any required payments. The department will charge you a penalty if you make any of your required payments late. The department will also charge you interest on any late or underpaid estimated tax payment.

For details, see Arizona Form 221.

Can You Make Estimated Payments If You Do Not Have To?

If you do not have to make Arizona estimated income tax payments, you may still choose to make them.

For details, see Arizona Forms 140ES and 221.

Line-by-Line Instructions

Tips for Preparing Your Return:

- Make sure that you write your social security number on your return.
- Complete your return using black ink.
- You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.
- When asked to provide your own schedule, attach a separate sheet with your name and SSN at the top. Attach your own schedules to the back of your return.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you include a daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

Entering Your Name, Address, and Social Security Number (SSN)

Lines 1, 2, and 3 -

NOTE: Make sure that you write your social security number on the appropriate line.

If your booklet has a peel-off label, use that label if all the information is correct. **If any of the information on the label is incorrect, do not use the label.** Attach the label after you finish your return. If you do not have a peel-off label, print or type your name, address, and SSN in the space provided. If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

For a deceased taxpayer, see page 1 of these instructions.

Use your current home address. The department will send your refund or correspond with you at that address.

NOTE: Make sure your SSN is correct. *If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

Make sure that every return, statement, or document that you file with the department has your SSN. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It may take longer to process your return if SSNs are missing, incorrect, or unclear.

Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following.

- his or her SSN
- his or her PTIN
- the federal employer identification number for the business

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140.

Line 4 Box - Married Filing a Joint Return

You may use this filing status if married as of December 31, 2000. It does not matter whether or not you were living with your spouse. You may elect to file a joint return, even if you and your spouse filed separate federal returns.

You may use this filing status if your spouse died during 2000 and you did not remarry in 2000. See page 2 of these instructions for details.

The Arizona Form 140 is for full year residents only. You may not file a joint Arizona income tax return on Form 140 if any of the following apply.

1. Your spouse is a nonresident alien (citizen of and living in another country).
2. Your spouse is a resident of another state.
3. Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you may file a joint return using Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you may file a joint return using Form 140PY. See Form 140PY instructions.

For details on filing a joint return with your part-year resident or nonresident spouse, see Arizona Department of Revenue Income Tax Ruling ITR 95-2.

Line 5 Box - Head of Household

You may file as head of household on your Arizona return, only if one of the following applies.

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

Line 6 Box - Married Filing Separately

You may use this filing status if married as of December 31, 2000, and you elect to file a separate Arizona return. You may elect to file a separate return, even if you and your spouse filed a joint federal return.

If you are filing a separate return, check the line 6 box and enter your

spouse's name in the space provided. Also enter your spouse's SSN in the space provided.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

For details on how to file a separate Arizona income tax return, see Arizona Department of Revenue Income Tax Rulings ITR 93-18 and ITR 93-19.

NOTE: If you can treat community income as separate income on your federal return, you may also treat that community income as separate on your Arizona return. See Arizona Department of Revenue Ruling ITR 93-22.

If you are filing a separate return and your spouse is not a resident of Arizona, other special rules may apply. For more details, see Arizona Department of Revenue Income Tax Ruling, ITR 93-20.

Line 7 Box - Single

Use this filing status if you were single on December 31, 2000. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2000, and you did not remarry in 2000, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a checkmark.** You may lose the exemption if you put a checkmark in

these boxes. You may lose the dependent exemption if you do not complete Part A, lines A1 through A3 on page 2. You may lose the exemption for qualifying parents or ancestors if you do not complete Part A, lines A4 and A5, on page 2.

Line 8 Box - Age 65 and Over

Write "1" in box 8 if you or your spouse were 65 or older in 2000. Write "2" in box 8 if both you and your spouse were 65 or older in 2000.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or legally blind. Write "2" in box 9 if both you and your spouse are totally or legally blind. To qualify as legally blind, you must attach a physician's letter stating one of the following.

1. Your vision is 20/200 or poorer with corrective lenses.
2. Your field of vision is 20 degrees or less.

Line 10 Box - Dependents

You must complete Part A, lines A1 through A3, on page 2 of your return before you can total your dependent exemptions.

You may claim only the following as a dependent.

- A person that qualifies as your dependent on your federal return.
- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies.
 1. In 2000, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800.
 2. In 2000, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

Completing Line(s) A1

NOTE: If a person who qualifies as your dependent is also a qualifying parent or ancestor of your parent, you may claim that person as a dependent on line A2, **or** you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may **not** claim that same person on both line A2 and line A5. Do not list the same person on line A1 that you listed on line A4.

Enter the following on line(s) A1.

1. The dependent's name.
2. The dependent's social security number.
3. The dependent's relationship to you.
4. The number of months the dependent lived in your home during 2000.

You may lose the exemption if you do not furnish this information.

Line A2 - Total Dependents

Enter the total number of persons listed on line(s) A1. Enter the same number onto the front of the return in box 10.

Line A3 - Persons You Cannot Take as Dependents on Your Federal Return

Enter the names of any dependents age 65 or over listed on line(s) A1 that you cannot take as a dependent on your federal return.

Line 11 Box - Qualifying Parents and Ancestors of Your Parents

A qualifying parent or ancestor of your parent may be any one of the following.

- Your parent, or your parent's ancestor. Your parent's ancestor is your grand parent, great grand parent, great great grand parent, etc.
- If married filing a joint return, your spouse's parent or an ancestor of your spouse's parent.

You may claim this exemption if all of the following apply.

1. The parent or ancestor of your parent lived in your principal residence for the entire taxable year.
2. You paid more than one-half of the support and maintenance costs of the parent or ancestor of your parent during the taxable year.
3. The parent or ancestor of your parent was 65 years old or older during 2000.
4. The parent or ancestor of your parent required assistance with activities of daily living, like getting in and out of bed, or chairs, walking around, going outdoors, using the toilet, bathing, shaving, brushing teeth, combing hair, dressing, medicating or feeding.

You must complete Part A, lines A4 and A5, on page 2 of your return before you can total your exemptions for qualifying parents and ancestors of your parents.

NOTE: If a person who is a qualifying

parent or ancestor of your parent also qualifies as your dependent, you may claim that person as a dependent on line A2, **or** you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may **not** claim that same person on both line A2 and line A5. Do not list the same person on line A4 that you listed on line A1.

Completing Line(s) A4

Enter the following on line(s) A4.

1. The name of the qualifying parent or ancestor of your parent.
2. The social security number of the qualifying parent or ancestor of your parent.
3. The qualifying parent's or ancestor's relationship to you, or your spouse if filing a joint return.
4. The number of months the qualifying parent or ancestor of your parent lived in your home during 2000.

You may lose the exemption if you do not furnish this information.

Line A5 - Total Qualifying Parents or Ancestors of Your Parents

Enter the total number of persons listed on line(s) A4. Enter the same number onto the front of the return in box 11.

Additions to Income

Line B6 - Non-Arizona Municipal Interest

Enter the amount of interest income from non-Arizona municipal bonds that you did not include as income on your federal return.

You may exclude any expenses incurred to purchase or carry the obligation. Reduce the interest income by the amount of those expenses that you could not deduct on your federal return.

If you received tax exempt interest from municipal bonds, attach a schedule listing the payors and the amount received from each payor. You may also want to attach supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

Line B7 - Early Withdrawal of Arizona, County, City, or School Retirement System Contributions

If you meet all the following, you must enter an amount here.

1. You left your job with the State of Arizona or an Arizona county, city,

or school district for reasons other than retirement.

2. When you left, you took out the contributions you had made to the retirement system while employed.
3. You deducted these contributions on your Arizona income tax returns that you filed for prior years.
4. You did not include these contributions in your federal adjusted gross income this year.

If you meet all these tests, you must report as income those contributions previously deducted on your prior years' Arizona tax returns.

For details, see Arizona Department of Revenue Income Tax Ruling *ITR 93-7*.

Line B8 - Ordinary Income Portion of Lump Sum Distributions Excluded on Your Federal Return

Use line B8 if you use federal 5 or 10 year averaging for lump-sum distributions from your pension or profit-sharing plan.

Arizona law does not provide for 5 or 10 year averaging. Enter the amount of the distribution that you treated as ordinary income on your federal return. If you choose to treat the capital gain portion of the distribution as ordinary income, you must also include that amount.

For details, see Arizona Department of Revenue Income Tax Ruling *ITR 93-5*.

Line B9 - Agricultural Water Conservation Expenses

If you take this credit, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

Line B10 - Medical Savings Account (MSA) Distributions

For information on Arizona's MSA provisions, see the department's MSA brochure, Pub 542.

You must add amounts received from an MSA here if any of the following apply.

1 - You Withdrew Funds From Your MSA For Other Than Qualified Expenses

You must make an entry here if all of the following apply.

1. You withdrew money from your MSA during 2000.
2. You did not use the amount withdrawn to pay qualified medical expenses.
3. You did not have to include the

withdrawal as income on your federal income tax return.

Enter the amount withdrawn.

2 - Deceased Account Holder Where the Named Beneficiary is Not the Decedent's Surviving Spouse

You must make an entry here if all of the following apply.

1. The account holder died during the year.
2. You are the named beneficiary of the decedent's MSA.
3. You are not the decedent's surviving spouse.
4. You did not have to include the value of the MSA as income on your federal income tax return.

In this case, the MSA ceased to be an MSA. Enter the fair market value of the MSA as of the date of death, less the amount of MSA funds used within one year of the date of death, to pay the decedent's qualified medical expenses. You can reduce the fair market value by only those expenses paid from the MSA. If you pay additional medical expenses for the decedent from the MSA after you file, you may file an amended return to further reduce the fair market value of the MSA.

3 - Decedent's Final Return And No Named MSA Beneficiary

Make an entry here if all of the following apply.

1. The account holder died during the year.
2. There is no named MSA beneficiary.
3. This is the decedent's final return.
4. The value of the MSA did not have to be included on the decedent's final federal income tax return.

In this case, the MSA ceases to be an MSA. Enter the fair market value of the MSA as of the date of death. This rule applies in all cases in which there is no named beneficiary, even if the surviving spouse ultimately obtains the right to the MSA assets.

NOTE: The following are not withdrawals. Do not enter any of the following:

- Amounts from the MSA used to pay qualified medical expenses
- A qualified return of excess contributions
- A qualified rollover

- The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary

For more information about the above items, see the department's MSA brochure, Pub 542.

Line B11 - Other Additions to Income

Use line B11 if any of the special circumstances below applies.

Attach your own schedule to the back of your return explaining any amounts entered here.

You may either add or subtract items A through C below (line B11 or C27, respectively) depending on your situation.

A. Pension Adjustments

Use this adjustment if **both** of the following apply.

1. Arizona taxed your pension for years before 1979.
2. You reported that pension on your federal return using the percentage exclusion method.

Do not use this adjustment if **either** of the following apply.

1. You reported your pension income as fully taxable on your federal return.
2. You reported your pension income on your federal return under the "three-year-rule".

Pension Adjustment Worksheet - Line B11	
Follow these steps to figure the adjustment. Worksheet (Keep for your records.)	
1. Your contribution to annuity.	1.
2. Pension amount received in prior years.	2.
3. Remainder of cost (line 1 minus line 2 but not less than zero).	3.
4. Pension amount received this year.	4.
5. Amount from line 3.	5.
6. Subtract line 5 from line 4 (but not less than zero).	6.
7. Enter the pension amount taxable on your federal return.	7.
8. Subtract line 7 from line 6.	8.

If line 8 is more than zero, enter the amount on line 8 as an addition to income. Enter the addition on line B11.

If line 7 is more than line 6, enter the difference as a subtraction from income. Enter the subtraction on line C27.

B. Married Persons Filing Separate Returns

If you file a separate Arizona return, you must report the following income on that return.

- one-half of the community income from all sources.
- all of your separate income.

If you and your spouse file a joint federal return but separate Arizona returns, you must make sure that each separate return reflects the correct income. If you begin your Arizona return with only the income that you earned during the year, you will have to adjust this income.

If you file separate federal returns, each of your federal returns should already reflect the correct income. Since your separate Arizona returns will begin with the federal adjusted gross income, you will not have to adjust your income.

If you have to adjust your income, attach a schedule showing how you figured your adjustment.

C. Partnership Income

Use this adjustment if your Arizona Form 165, Schedule K-1, shows a difference between federal and state distributable income.

If the difference reported on your Arizona Form 165, Schedule K-1, is a positive number, enter that difference as an addition. Enter the addition on line B11.

If the difference reported on your Arizona Form 165, Schedule K-1, is a negative number, enter that difference as a subtraction. Enter the subtraction on line C27.

D. Estate or Trust Income

Enter on line B11 the amount from Arizona Form 141, Schedule K-1, line 3. For Arizona purposes, this is your share of the distributive income.

If you make an entry here, you must also make an entry on line C27, Other Subtractions. Subtract trust or estate income shown on your federal Form 1041, Schedule K-1, included in your federal adjusted gross income.

You must also add to Arizona gross income:

1. Your share of the estate's or trust's deductions allowed under the Internal Revenue Code.
2. Your share of excess deductions and loss carryovers allowed under the Internal Revenue Code as deductions to the beneficiary on termination of an estate or trust.

You must add the above deductions and loss carryovers to your Arizona gross income only to the extent these items are included in computing your Arizona taxable income.

E. Net Operating Losses

Arizona does not have specific net operating loss provisions for individual taxpayers. Arizona conforms to the federal net operating loss provisions, including the carryback provisions. Generally, the amount of net operating loss deduction included in your federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different. You must adjust the amount of net operating loss deduction included in your federal adjusted gross income if the following apply.

1. You have already deducted any amount of the net operating loss included in your federal adjusted gross income for Arizona purposes.
2. You took a separate subtraction for the net operating loss on an amended return filed for a prior tax year under the special net operating loss transition rule.

If the above apply, enter the following on line B11.

1. The amount of net operating loss included in your federal adjusted gross income which you previously deducted for Arizona purposes.
2. The amount of net operating loss included in your federal adjusted gross income for which you took a separate subtraction on an amended return filed for a prior tax year under the special net operating loss transition rule.

For information on deducting a net operating loss carryback, see Arizona Department of Revenue Income Tax Procedure ITP 99-1.

F. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. However, under the operation of former Arizona law

(1989 and prior), you could deduct certain items in greater amounts for Arizona purposes than for federal purposes.

Investment interest and passive activity losses were such items. In some cases, you could have deducted such amounts in their entirety on the Arizona return. For federal purposes, the deduction for these items was limited, with the unused portions being carried forward and deducted in future years. Your Arizona return may include these previously deducted items because of the difference between the federal and former Arizona treatment. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

G. Claim of Right Adjustment for Amounts Repaid in 2000

You must make an entry here if all of the following apply.

1. During 2000, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid during 2000 was more than \$3,000.
3. You took a deduction for the amount repaid on your 2000 federal income tax return.

If the above apply, enter the amount deducted on your federal income tax return here.

For more information on the Arizona claim of right provisions, see Arizona Department of Revenue Individual Income Tax Procedure ITP 95-1.

H. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if all of the following apply.

1. During a year prior to 2000 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2000 Arizona taxable income.
5. The amount of the loss carryover included in your federal income is more than the amount allowed to be

taken into account for Arizona purposes.

Enter the amount by which the loss carryover included in your federal adjusted gross income is more than the amount allowed for the taxable year under Arizona law.

I. Addition to S Corporation Income Due to Credits Claimed

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to income for the amount of expenses disallowed by reason of claiming the credit.

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her pro rata share of the adjustment. You must enter an amount on this line when claiming any of the following credits.

- Agricultural water conservation credit
- Defense contracting credit
- Environmental technology facility credit
- Pollution control credit
- Recycling equipment credit
- Credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets
- Credit for employment of TANF recipients
- Credit for agricultural pollution control equipment

J. Solar Hot Water Heating Plumbing Stub Out And Electric Vehicle Recharge Outlet Expenses

If you take a credit for installing solar hot water heating plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

K. Wage Expense for Employers of TANF Recipients

If you take a credit for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

L. Other Adjustments

Other special adjustments may be necessary. You may need to make an

addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on the back cover if any of the following apply.

- You are a qualified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954.
- You are still depreciating or amortizing a child care facility for which you claimed a state credit.
- You claimed the environmental technology facility credit.
- You claimed the pollution control credit.
- You claimed the recycling equipment credit.
- You claimed the credit for agricultural pollution control equipment.
- You elected to amortize the basis of a pollution control device or the cost of a child care facility under Arizona law in effect before 1990. You are still deducting amortization or depreciation for that device or facility on your federal income tax return.

Line B12 - Total Additions

Add lines B6 through B11. Enter the total on line B12 and on the front of your return on line 13.

Subtractions From Income

You may only subtract those items for which statutory authority exists. Without such authority you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on the back cover.

NOTE: You may not subtract any amount that is allocable to income excluded from your Arizona taxable income.

Line C13 - Exemption: Age 65 or Over

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

Line C14 - Exemption: Blind

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

Line C15 - Exemption: Dependents

Multiply the number in box 10 on the front of your return by \$2,300 and enter the result.

Line C16 - Exemption: Qualifying Parents and Ancestors

Multiply the number in box 11 on the front of your return by \$10,000 and enter the result.

Line C17 - Total

Add lines C13 through C16 and enter the total. If you have no other subtractions from income, skip lines C18 through C28 and enter this total on Form 140, page 1, line 16.

Line C18 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on your federal return. U.S. Government obligations include obligations such as savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses. If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

NOTE: Do not subtract interest earned on FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's Guidelines for Exempt Securities, G 91-4.

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income. For details, see Arizona Department of Revenue Income Tax Rulings ITR 96-2 and ITR 96-3.

Line C19 - Exclusion for U.S. Government, Arizona State or Local Government Pensions

If you receive pension income from any of the sources listed below, subtract

the amount you received or \$2,500, whichever is less. Include only the amount you reported as income on your federal return. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

Public pensions from the following sources qualify for this subtraction.

- The United States Government Service Retirement and Disability Fund
- The United States Foreign Service Retirement and Disability System
- Retired or retainer pay of the uniformed services of the United States
- Any other retirement system or plan established by federal law

NOTE: *This applies only to those retirement plans authorized and enacted into the U.S. Code. This does not apply to a retirement plan that is only regulated by federal law (i.e., plans which must meet certain federal criteria to be qualified plans).*

- The Arizona State Retirement System
- The Arizona State Retirement Plan
- The Corrections Officer Retirement Plan
- The Public Safety Personnel Retirement System
- The Elected Officials' Retirement Plan
- A retirement plan established for employees of a county, city, or town in Arizona
- An optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes
- An optional retirement program established by an Arizona community college district.

NOTE: *Public retirement pensions from states other than Arizona do not qualify for this subtraction.*

Line C20 - Arizona Lottery Winnings

You may subtract all winnings received in 2000 related to an Arizona lottery prize won before March 22, 1983. You may subtract up to \$5,000 of winnings received in 2000 for Arizona lottery prizes won after March 21, 1983.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an

itemized deduction. See instructions for Form 140 Schedule A, Itemized Deduction Adjustments.

Line C21 - Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits as income on your federal return, use line C21 to subtract this income.

Enter only the amount that you had to include as income on your federal return.

See Arizona Department of Revenue Income Tax Ruling ITR 96-1 for more information about railroad retirement benefits.

Line C22 - Agricultural Crops Given to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2000 to one or more charitable organizations. To take this subtraction, you must be engaged in the business of farming or processing agricultural crops. The crop must be grown in Arizona. You must make your gift to a charitable organization located in Arizona that is exempt from Arizona tax.

The subtraction is the greater of 80 percent of the wholesale market price or 80 percent of the most recent sale price for the contributed crop.

To determine if your crop gift qualifies for this subtraction, see Arizona Department of Revenue Income Tax Procedure ITP 93-2.

Line C23 - Alternative Fuel Vehicles and Refueling Equipment

Starting with the 1999 taxable year, the alternative fuel subtraction was repealed. Therefore, you may not take a subtraction for alternative fuel vehicles purchased or converted during 2000. You may not take a subtraction for refueling equipment purchased during 2000. However, if you were entitled to a subtraction for refueling equipment or vehicles purchased or converted during 1998, you may still take one-third of

the subtraction that is allocable to 2000.

To figure your subtraction complete Part I of Form 313. Enter the amount from Form 313, Part I, line 3, here.

Line C24 - Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. The federal government must recognize these tribes.

For more information, see Arizona Department of Revenue Income Tax Ruling ITR 96-4.

Line C25 - Income Tax Refund From Other States

You may subtract income tax refunds received from other states if both of the following apply.

1. You reported the refund as income on your federal return.
2. You did not deduct the taxes paid to the other state as an itemized deduction on a prior year Arizona return.

Line C26 - Deposits and Employer Contributions Into MSAs

Deposits Made Into Your MSA

If you have an MSA, you may be able to subtract deposits made into that MSA. Make an entry here if all of the following apply.

1. You have an MSA that qualifies as an MSA under Arizona law, but not federal law.
2. Either you or your employer made deposits into that MSA during the tax year.
3. You had to include the deposits in income on your federal income tax return.

Enter the amount of the MSA deposits that you had to include in your federal adjusted gross income.

Employer Contributions Made to Employee MSAs

If you are an employer, you may subtract the amount contributed to your employees' MSAs that are established under Arizona law. You can subtract these contributions only to the extent not deductible for federal income tax

purposes. Enter these contributions here.

Line C27 - Other Subtractions From Income

Use line C27 if any of the following special circumstances apply. Attach your own schedule to the back of your return explaining any amounts entered here.

A. Previously Reported Gain on Decedent's Installment Sale

Prior Arizona law required acceleration of any unrecognized installment sale gain upon the death of a taxpayer. However, this acceleration could have been avoided by the posting of a bond. If acceleration was required, your federal adjusted gross income may include installment sale amounts already recognized on a decedent's final Arizona return. If your federal adjusted gross income includes such amounts, you may subtract that portion of the gain included on your federal return.

B. Estate or Trust Income

Enter on line C27 the amounts from federal Form 1041, Schedule K-1, included in your federal adjusted gross income.

If making an entry here, you must also make an entry on line B11, Additions to Income. Add the estate or trust income shown on Arizona Form 141, Schedule K-1, to your Arizona income.

C. Combat Pay

Members of the U.S. armed forces may subtract pay received for serving in a combat zone or an area given the treatment of a combat zone. Subtract only the amount included in your 2000 federal adjusted gross income.

D. Federally Taxable Arizona Municipal Interest

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona that is included in your Arizona gross income. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income.

E. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted. Enter the lesser of the total of the following adoption expenses or \$3,000. When figuring your subtraction, you may

include expenses incurred in prior years. The following expenses are qualified adoption expenses.

1. Nonreimbursed medical and hospital costs.
2. Adoption counseling.
3. Legal and agency fees.
4. Other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

F. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

Arizona law provides a subtraction for converting an existing fireplace to a qualified wood stove, qualified wood fireplace, or gas fired fireplace and non-optional equipment directly related to its operation. You may subtract up to \$500 of the costs incurred for converting an existing fireplace to a qualified wood stove, qualified wood fireplace, or gas fired fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

G. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if all of the following apply.

1. During a year prior to 2000 you were required to repay amounts held under a claim of right.

2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2000 Arizona taxable income.
5. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

Enter the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your federal adjusted gross income.

H. Certain Expenses Not Allowed for Federal Purposes

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits are:

- The federal work opportunity credit
- The empowerment zone employment credit
- The credit for employer-paid social security taxes on employee cash tips
- The Indian employment credit

If you received any of the above federal tax credits for 2000, enter the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

I. Qualified State Tuition Program Distributions

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Enter the amount of the distribution that you had to include in your federal adjusted gross income. A qualified state tuition program is a program that meets the requirements of I.R.C. § 529.

J. Subtraction for World War II Victims

Starting with the 2000 taxable year, you may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, enter the amount

of the distributions that you had to include in your federal adjusted gross income.

You may also subtract items of income that are attributable to, derived from or related to assets that were stolen or hidden from or lost to you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious or political reasons before, during or immediately after World War II. If you are the first recipient of such income, enter the amount of income that you had to include in your federal adjusted gross income.

K. Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year

You may subtract any income from an installment sale that has been properly subjected to income tax in another state in a prior tax year. Enter the amount of such income that you included in your Arizona gross income in the current taxable year.

L. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on the back cover if any of the following apply.

- You are a qualified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954.
- You were an Arizona resident before December 31, 1975, and you are receiving IRA distributions from your IRA account to which you made contributions before December 31, 1975.
- You were an Arizona resident before December 31, 1975, and you are receiving distributions from your qualified self-employment retirement plan to which you made contributions before December 31, 1975.
- You deferred exploration expenses determined under Internal Revenue Code section 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

Line C28 - Total Subtractions

Add lines C17 through C27. Enter the total here and on the front of your return on line 16.

Different Last Names

If you filed an Arizona tax return within the past four years with a different last name, enter your prior last name(s) in part D.

Totaling Your Income

Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2000 federal return to determine your federal adjusted gross income even if not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

ALERT: If your Arizona gross income is greater than \$75,000, you may need to make estimated payments. See "Do You Need to Make Estimated Payments" instructions on page 3.

Line 13 - Additions to Income

Enter the amount from line B12, page 2, of your return.

Line 15 - Elective Subtraction of Federal Retirement Contributions

This line applies only to individuals who were civilian employees of the United States Government during 2000. The Arizona Tax Court has ruled that Arizona income taxes paid on contributions to federal retirement plans discriminated against federal employees for years after 1990. The department has appealed that determination to the Arizona Court of Appeals, so the issue is not yet final.

Line 15 is provided to alert you to a remedy available to you under Arizona law. On your 2000 return, you have two options.

Option #1

You may subtract the amount of contributions to your retirement plan that was withheld from your wages paid by the federal government. Enter on line 15 the 2000 amount of such contributions **included in your federal adjusted gross income**. If you choose this option and the courts ultimately decide that it is legal for the State of Arizona to tax your retirement contributions, you will owe additional tax

and accrued interest. (Also, see *Protective Claim for Refund* below.)

Option #2

You may choose to ignore line 15. You may instead file the protective claim form. This form is in this instruction booklet. Under this option you will pay tax on your contributions to the federal retirement plan. You will also protect your rights to a credit or refund of this tax if the courts ultimately decide that is appropriate. The state will pay interest in this event. The courts have been asked to award up to 20% of your refund to the attorneys in the case.

Protective Claim for Refund

You can find this form at the bottom of the page titled *Notice to Current And Former Federal Civilian Employees*. If you were a civilian employee of the United States government at any time during the years 1996 through 2000, you should complete this claim form. Submitting this claim form will protect your rights to tax relief for the years you were so employed. If you choose **option #2** for 2000, you should also include 2000 in your claim. Claims for 1996 must be postmarked by April 16, 2001, to be valid. If you previously filed a protective claim for 1996 through 1999, only include 2000 on the claim form filed for 2000.

Please do not include the protective claim with your 2000 income tax return. Mail the claim form separately to the address indicated to ensure proper handling.

Line 16 - Subtractions From Income

Enter the amount from line C28, page 2, of your return.

Figuring Your Tax

Line 19 - Itemized or Standard Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deduction.

Your Standard Deduction

If you take the standard deduction, check box 19S.

If your filing status is:	Your standard deduction is:
• Single	\$ 3,600
• Married filing separately	\$ 3,600
• Married filing jointly	\$ 7,200
• Head of household	\$ 7,200

Your Itemized Deductions

You may claim itemized deductions on your Arizona return even if you take a standard deduction on your federal return. For the most part, you may claim those deductions allowable as itemized deductions under the Internal Revenue Code. In some cases, the amount allowed for some deductions may not be the same as the amount allowable for federal purposes. You may have to adjust the amounts shown on your completed federal Form 1040, Schedule A. See Form 140 Schedule A, Itemized Deduction Adjustments to figure if you have to make any adjustments.

To figure your itemized deductions, you must complete a federal Form 1040, Schedule A. Then, if required, complete Form 140 Schedule A, Itemized Deduction Adjustments. If you do not have to complete Form 140 Schedule A, *Itemized Deduction Adjustments*, enter the amount from federal Form 1040, Schedule A, on Form 140, line 19.

NOTE: If you itemize, you must attach a copy of the completed federal Schedule A to your Arizona return. If itemizing, check box 19I.

Line 20 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the chart below to figure your personal exemption. If married, you may also use Form 202 to figure your personal exemption.

Personal Exemption Chart	
If you checked filing status:	Enter:
• Single (Box 7)	\$2,100

• Married filing joint return (Box 4) and claiming no dependents (Box 10)	\$4,200
• Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3)	\$6,300
• Head of household and you are not married (Box 5)	\$4,200
• Head of household and you are a married person who qualifies to file as head of household (Box 5)	\$3,150 Or Complete Form 202 <i>Personal Exemption Allocation Election</i> .
• Married filing separately (Box 6) with neither spouse claiming any dependents (Box 10)	\$2,100 Or Complete Form 202 <i>Personal Exemption Allocation Election</i> .
• Married filing separately (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3)	\$3,150 Or Complete Form 202 <i>Personal Exemption Allocation Election</i> .

A married couple who does not claim any dependents may take one personal exemption of \$4,200. If the husband and wife file separate returns, either spouse may take the entire \$4,200 exemption, or the spouses may divide the \$4,200 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$2,100. If you and your spouse do not complete Form 202, you may take an exemption of only \$2,100 (one-half of the total \$4,200).

A married couple who claims at least one dependent may take one personal exemption of \$6,300. If the husband and wife file separate returns, either spouse may take the entire \$6,300 exemption, or the spouses may divide the \$6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202, you may take an exemption of only \$3,150 (one-half of the total \$6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,300 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202 you may take an exemption of only \$3,150 (one-half of the total \$6,300).

The spouse who claims more than one-half of the total personal exemption must attach the original Form 202 to his or her return. The spouse who claims less than one-half of the total personal exemption must attach a copy of the completed Form 202 to his or her return.

Line 21 - Taxable Income

Subtract lines 19 and 20 from line 18 and enter the result. Use this amount to calculate your tax using Tax Rate Table X or Y or the Optional Tax Rate Tables.

Line 22 - Tax Amount

Enter the tax from either Tax Rate Table X or Y or the Optional Tax Rate Tables.

NOTE: You cannot use the Optional Tax Rate Tables if your taxable income is \$50,000 or more. In this case, you must use Tax Rate Table X or Y.

Line 23 - Tax From Recapture of Credits From Arizona Form 301

Enter the amount of tax due from recapture of the credits from Form 301, Part II, line 30.

Line 24 - Subtotal of Tax

Add lines 22 and 23.

Line 25 - Clean Elections Fund Tax Reduction

You may designate \$5 of your tax to go to the Citizens Clean Election Fund and also reduce your tax liability by \$5. If married filing a joint return, both you and your spouse may each designate \$5 of your tax to go to the Citizens Clean Elections Fund and also reduce your tax liability by \$10.

To designate \$5 of your tax to go to the Citizens Clean Election Fund, the amount on line 24 must be at least \$5.

If you are married filing a joint return and you and your spouse each want to designate \$5 to go to the Citizens Clean Election Fund, the amount on line 24 must be at least \$10.

To make this designation, check box 1 marked yourself. In the case of a joint income tax return where both spouses want to make this election, one spouse should check box 1, and the other spouse should check box 2.

Line 26 - Tax Reduction

Complete line 26 only if you checked a box on line 25. Otherwise, enter zero on line 26.

To also reduce your tax by \$5 the amount on line 24 must be at least \$10 (\$20 in the case of a joint return where both spouses designate \$5). To figure your tax reduction, complete the following worksheet.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the subtotal of tax from Form 140, line 24.	
2. If you checked box 25 1, enter \$5. If a joint return and your spouse also checked box 25 2, enter \$10.	
3. Balance of tax eligible for tax reduction. <i>Subtract line 2 from line 1.</i>	
4. If you checked box 25 1, enter \$5. If a joint return and your spouse also checked box 25 2, enter \$10.	
5. Tax reduction. Enter the lesser of line 3 or line 4. Also enter this amount on Form	

140, line 26.	
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Line 27 - Reduced Tax

Subtract line 26 from line 24. Enter the result.

Line 28 - Family Income Tax Credit

You may take this credit if you meet the income threshold for your filing status.

- Complete steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete Worksheet II in step 4.

Step 1

Complete Worksheet I below.

Worksheet I	
1. Enter the amount from Form 140, page 1, line 18.	
2. Enter the amount from Form 140, page 2, line C17.	
3. Add lines 1 and 2. Enter the result.	

Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

Step 3

- Look at column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140, page 1, box 10).
- Find the income threshold amount in column (b) next to the number of dependents you are claiming.
- Compare that income threshold amount in column (b) with the income listed in Step 1 on Worksheet I, line 3.

If the amount entered in step 1 on Worksheet I, line 3 is equal to or less than the income threshold for the number of dependents you are claiming on Form 140, page 1, box 10, you qualify to take this credit. To figure your credit, complete step 4.

Table I Married Filing a Joint Return	
Column (a)	Column (b)

Number of dependents	Income Threshold
• 0 or 1	\$20,000
• 2	\$23,600
• 3	\$27,300
• 4 or more	\$31,000

Table II Head of Household	
Column (a)	Column (b)
Number of dependents	Income Threshold
• 0 or 1	\$20,000
• 2	\$20,135
• 3	\$23,800
• 4	\$25,200
• 5 or more	\$26,575

Table III Single Or Married Filing Separately	
Column (a)	Column (b)
Number of dependents	Income Threshold
• 0 or more	\$10,000

Step 4

If you qualify to take the credit, complete this worksheet following the tables.

Worksheet II	
1. Enter the number of dependents you entered in box 10, page 1, Form 140.	
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the result.	
4. Multiply the amount on line 3 by \$40. Enter the result.	
5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.	

6. Family income tax credit. Enter the lesser of line 4 or line 5. Also enter this on Form 140, page 1, line 28.	
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NOTE: The family income tax credit will only reduce your tax and cannot be refunded.

Line 29 - Credits From Arizona Form 301

Complete line 29 if you can take any of the following credits. Also make sure that you attach the Arizona Form 301 and the appropriate credit form or forms to your return.

1. Defense Contracting Credit. You may qualify for this credit if you are an Arizona Department of Commerce certified defense contractor who has qualified increases in employment. This tax credit also includes a provision for a property tax credit. Use Form 302 to figure this credit.

2. Enterprise Zone Credit. You may qualify for this credit if your business in an Arizona enterprise zone had net increases in qualified employment positions. Use Form 304 to figure this credit.

3. Environmental Technology Facility Credit. You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

4. Military Reuse Zone Credit. You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

5. Recycling Equipment Credit. You may qualify for this credit if your business has installed recycling material equipment. Use Form 307 to figure this credit.

6. Credit for Taxes Paid to Another State or Country. You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure this credit.

7. Solar Energy Credit. You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this

credit.

8. Agricultural Water Conservation System Credit. You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

9. Alternative Fuel Vehicle (AFV) Credit. You may qualify for this credit if you purchased or leased a new alternative fuel vehicle. You may also qualify for this credit if you converted your conventional vehicle to operate as an alternative fuel vehicle. Use Form 313 to figure this credit.

10. Underground Storage Tanks Credit. You may qualify for this credit if you incurred expenses correcting a release of a regulated substance from an underground storage tank. To qualify for this credit, you must not have been liable or responsible for the corrective action as an owner or operator of the underground storage tank. Use Form 314 to figure this credit.

11. Pollution Control Credit. You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 to figure this credit.

12. Construction Materials Credit. Effective for taxable year 2000, you may only claim a carryover of the unused construction materials tax credit from taxable years beginning prior to January 1, 2000. Use Form 316 to claim this credit carryover.

13. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets. You may qualify for this credit if you install solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you construct. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

14. Credit for Employment of TANF Recipients. You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

15. Credit for Contributions to Charities that Provide Assistance to the Working Poor. You may qualify for this credit if you made contributions to

certain charities that provide help to the working poor. Use Form 321 to figure this credit.

16. Credit for Fees Paid to Public Schools. You may qualify for this credit if you paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

17. Credit for Contributions to School Tuition Organizations. You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

18. Credit for Donating Motor Vehicles to the Wheels to Work Program. You may qualify for this credit if you donated a motor vehicle to the Wheels to Work program. Use Form 324 to figure this credit.

19. Agricultural Pollution Control Equipment Credit. You may qualify for this credit if you are involved in commercial agriculture and incur expenses to purchase tangible personal property that is primarily used in your trade or business to control or prevent pollution. Use Form 325 to figure this credit.

20. Credit for Alternative Fuel Delivery Systems. You may qualify for this credit if you constructed or operated an alternative fuel delivery system. Use Form 326 to figure this credit.

21. Vehicle Refueling Apparatus Credit. You may qualify for this credit if you purchased a vehicle refueling apparatus for installation on your property in Arizona. Use Form 327 to figure this credit.

22. Neighborhood Electric Vehicle (NEV) Credit. You may qualify for this credit if you purchased a NEV for use in Arizona during the taxable year. Use Form 328 to figure this credit.

Compute your credit on the appropriate form. Then complete Form 301 and enter the amount from Form 301, line 56. The credits on line 29 cannot reduce your tax below zero. These credits are not refundable credits.

Attach Arizona Form 301, along with any supporting documents, to your return.

Line 30 - Credit Type

If you entered an amount on line 29, write the form number(s) of the credit(s) from Arizona Form 301, Part II.

If you are claiming:	Write form number:
1. Defense Contracting Credit	302
2. Enterprise Zone Credit	304
3. Environmental Technology Facility Credit	305
4. Military Reuse Zone Credit	306
5. Recycling Equipment Credit	307
6. Credit for Taxes Paid to Another State or Country	309
7. Solar Energy Credit	310
8. Agricultural Water Conservation System Credit	312
9. Alternative Fuel Vehicle (AFV) Credit	313
10. Underground Storage Tanks Credit	314
11. Pollution Control Credit	315
12. Construction Materials Credit	316
13. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
14. Credit for Employment of TANF Recipients	320
15. Credit for Contributions to Charities That Provide Assistance to the Working Poor	321
16. Credit for Fees Paid to Public Schools	322
17. Credit for Contributions to School Tuition Organizations	323
18. Credit for Donating Motor Vehicles to the Wheels to Work Program	324
19. Agricultural Pollution Equipment Credit	325
20. Credit for Alternative Fuel Delivery Systems	326
21. Vehicle Refueling Apparatus Credit	327
22. Neighborhood Electric Vehicle (NEV) Credit	328

Line 31 -

Subtract lines 28 and 29 from line 27,

but do not enter an amount less than zero. If the sum of lines 28 is 29 are more than line 27, enter zero on line 31.

Line 32 - Clean Elections Fund Tax Credit

For 2000, you may claim a credit for:

- Donations made directly to the fund during 2000.
- A donation made to the fund on your 1999 income tax return that you filed in 2000.

You may not claim a credit on the 2000 return for a donation made to the fund on your 2000 return. If you make a donation to the fund with your 2000 return, that you file in 2001, you may claim a credit for that donation on your 2001 return.

Complete the worksheet below to figure your credit.

Worksheet for Calculating the 2000 Clean Elections Fund Tax Credit	
1. Enter the amount donated directly to the fund during 2000.	
2. Enter the amount donated to the fund with your 1999 tax form.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 140, page 1, line 31.	
5. Multiply line 4 by 20% (.20).	
6. Enter \$500 if single, head of household, or married filing separately. Enter \$1,000 if married filing joint.	
7. Enter the larger of line 5 or line 6.	
8. Enter the smaller of line 3, line 4, or line 7 here and also on Form 140, page 1, line 32.	
NOTE: This credit will only reduce your tax and cannot be refunded. You may not carry forward any amount of unused credit.	

Line 33 - Balance of Tax

Subtract line 32 from line 31, but do not enter an amount less than zero. If line 32 is more than line 31, enter zero on line 33.

Totaling Payments and Credits

Line 34 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state. Attach the Form(s) W-2 and 1099-R to page 2 of your return.

NOTE: You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.

Line 35 - Arizona Estimated Tax Payments for 2000 and Amount Applied From 1999 Return

Use this line if you did one of the following.

1. Made estimated income tax payments to Arizona for 2000.
2. Applied any of your refund from your 1999 Arizona return to 2000 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 2000 taxes.

Line 36 - Amount Paid With 2000 Extension Request (Form 204)

Use this line to report the payment you sent with your extension request.

Line 37 - Property Tax Credit

You may take the property tax credit if you meet **all** the following.

1. You were either 65 or older in 2000 or receiving SSI Title 16 income from the Social Security Administration.

NOTE: This is not the normal Social Security disability.

2. You were an Arizona resident for the full year in 2000.
3. You paid property tax on your Arizona home in 2000. You paid rent on taxable property for the entire year or you did a combination of both.
4. If you lived alone, your income from all sources was under \$3,751. If you lived with others, the household income was under \$5,501.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, line 15.

Attach Form 140PTC to your return.

Tax Tip: To claim a property tax credit, you must file your claim or extension request by April 16, 2001.

Line 38 - Other Refundable Credits

If you are claiming alternative fuel credits and you made a refund election for any of those credits enter the following amounts here:

- If you are claiming the alternative fuel vehicle credit from Form 313, enter the amount from Form 313, Part XV line 113 here.
- If you are claiming the credit for alternative fuel delivery systems from Form 326, enter the amount from Form 326, Part XI, line 47 here.
- If you are claiming the vehicle refueling apparatus credit from Form 327, enter the amount from Form 327, Part IX, line 26.

If you have credits from more than one form, enter the total from all forms here.

If you enter an amount on this line, be sure you check the box or boxes to show which credits you are claiming. Also be sure to attach the credit claim form (313, 326, or 327) to your return when you file.

Line 39 - Total Payments and Refundable Credits

Add lines 34 through 38. Enter the total.

Also, do the following if you computed your 2000 tax under Arizona's claim of right provisions.

1. Write "ARS § 43-1029" and the amount of the prior year tax reduction in the space to the left of your total payment amount.
2. Include the credit for the prior year tax reduction in the total entered on line 39.
3. Attach a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

For more information on Arizona's claim

of right provisions, see Individual Income Tax Procedure ITP 95-1.

Figuring Your Overpayment or Tax Due

Line 40 - Tax Due

If line 33 is more than line 39, you have tax due. Subtract line 39 from line 33. Skip lines 41, 42 and 43.

Line 41 - Overpayment

If line 39 is more than line 33, subtract line 33 from line 39. Complete lines 42 and 43.

Line 42 - Amount of Line 41 to Apply to 2001 Tax

If you want all or part of your refund applied to next year's estimated taxes, enter that amount.

Line 43 - Balance of Overpayment

Subtract line 42 from line 41 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

NOTE: *If you make a gift, you cannot change the amount of that gift later on an amended return.*

Line 44 - Aid For Education Fund

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money in this fund to school districts.

CAUTION: *If you make a contribution to this fund, you must contribute your entire refund. You may not give more than your entire refund.*

Line 45 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund.

Gifts go to the Arizona Game, Nongame, Fish and Endangered Species Fund. This fund helps protect and conserve over 1,000 nongame species.

Line 46 - Citizens Clean Elections Fund

You may give some or all of your refund to the Citizens Clean Elections Fund. You may also send in additional money with your return. If you send in additional money with your return, include that amount on line 57. Enter the amount you want to donate on line 46.

If you make a donation to the fund with your 2000 return, that you file in 2001, you may claim a credit for that donation on your 2001 return.

The Citizens Clean Elections Fund provides funding to each participating candidate who qualifies for campaign funding.

Line 47 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 48 - Domestic Violence Shelter Fund

You may give some or all of your refund to the domestic violence shelter fund. You may also give more than your entire refund.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

Line 49 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the neighbors helping neighbors fund. You may also give more than your entire refund.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills and conserving energy.

Line 50 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 51 - Political Gifts

Gifts go to one of the following political parties:

- Democratic
- Green
- Libertarian
- Natural Law
- Reform
- Republican

You may give some or all of your refund to a political party. You may also give more than your entire refund.

Line 52 - Political Party

Check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 51.

Line 53 - Estimated Payment Penalty and Interest and MSA Withdrawal Penalty**Estimated Payment Penalty and Interest**

You must have made Arizona estimated income tax payments during 2000 if you meet either of the following.

1. You reasonably expected your Arizona gross income to exceed \$75,000 in 2000.
2. Your Arizona gross income in 1999 was greater than \$75,000.

In projecting current Arizona gross income, you must use ordinary business care and prudence.

If you were unable to project your 2000 Arizona gross income, you may request a waiver from the requirement to make estimated payments. The department may grant a waiver for one or more payment periods. You must request a waiver in writing. If requesting a waiver, attach your request to your return when you file. Your request must explain why you could not reasonably project your Arizona gross income for one or more payment periods during 2000.

The department may grant a waiver only if all of the following apply.

1. Your Arizona gross income in the preceding taxable year was less than \$75,000.
2. Using ordinary business care and prudence, you were unable to reasonably project your 2000 Arizona gross income.

You must attach Form 221 and your waiver request to your return.

If you report as a farmer or fisherman for federal purposes, you were not

required to make estimated payments during 2000 if the following apply.

1. You are a calendar year filer. You file your Arizona return by March 1, 2001. You pay in full the amount stated on your return as payable.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as payable.

If the above applies, check Box 2 on line 54 and do not complete Form 221.

An individual who fails to make the required estimated payments is subject to penalty and interest on any estimated tax payment that is late or underpaid.

Complete and attach Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty and interest are due. Enter total penalty and interest from Form 221.

MSA Withdrawal Penalty

You must pay a withdrawal penalty if you made an MSA withdrawal during 2000 and all of the following apply.

1. You used the amount withdrawn for purposes other than to pay for qualified medical expenses.
2. You made the withdrawal on a day other than the last business day of the year.
3. The withdrawal is not subject to the federal withdrawal penalty.

The penalty is equal to 10 percent of the withdrawal. The withdrawal penalty is not subject to abatement. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10 percent. Enter the result.

The following withdrawals are not subject to the penalty.

1. Any withdrawal subject to the federal withdrawal penalty.
2. Withdrawals made from your MSA on the last business day of the tax year.
3. Any withdrawal made by an account holder who is at least age 59 1/2 when he or she makes the withdrawal.

NOTE: The following are not withdrawals. Do not enter a penalty for any of the following.

- Amounts from the MSA used to pay qualified medical expenses
- A qualified return of excess contributions
- A qualified rollover
- The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary

For more information about the above items, see the department's MSA brochure, Pub 542.

Line 54 -

Box 1 - Check box 1 if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50 percent of the total of all of your required installments.

Box 2 - If you are an individual who for federal purposes reports as a farmer or fisherman, check box 2.

Box 3 - If you completed and attached Form 221, check box 3.

Box 4 - If you included an MSA penalty on line 53, check box 4.

Figuring Your Refund or Tax Due

Line 56 - Refund

Subtract line 55 from line 43. Enter your refund on line 56 and skip line 57.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

Tax Tip: If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, 1600 W Monroe, Phoenix AZ 85007. Include your social security number in your letter.

Line 57 - Amount Owed

Add lines 40 and 55. Enter the amount you owe on line 57. If you are making voluntary donations on lines 45 through 51 in excess of your overpayment, enter the difference on line 57.

Make your check payable to Arizona Department of Revenue. Write your social security number on the front of your check or money order. Attach your check or money order to the front of your return where shown.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

Installment Payments

If you cannot pay the full amount shown on line 57 when you file, you may ask to make monthly installment payments. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 16, 2001, even if your request to pay in installments is granted. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

To ask for an installment agreement, use Form 140IA. You may download this form from the department's Web site at www.revenue.state.az.us, or you may get this form by calling (602) 542-4260, or you may call our nationwide, toll-free number at (800) 352-4090.

Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. The department cannot send a refund check without proper signatures on the return.

Instructions Before Mailing

- Make sure your social security number is on your return.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure your **NAME** is on the return. If you received your return in the mail, use the preprinted label. If the label is not correct, do not use

it.

- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 2 of the return, also write each dependent's name, relationship, social security number, and the number of months that he or she lived in your home.
 - If claiming exemptions for qualifying parents or ancestors, write the number of qualifying parents or ancestors claimed on the **front** of the return. On page 2 of the return, also write each parent's or ancestor's name, relationship, social security number, and the number of months that he or she lived in your home.
 - Check the **boxes** to make sure you filled in all required boxes.
 - Sign your return and have your spouse sign if filing jointly.
 - Attach **all** required documents.
1. Attach *Form(s) W-2* to page 2 of the return. Also attach *Form(s) 1099-R* to page 2 of the return if you had Arizona tax withheld from your pension or annuity.
 2. Write your social security number on the front of your check and attach your *check* to the **front** of the return.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.
 3. Attach Arizona Form 301, applicable credit forms, and your own schedules to the back of the return.
 4. If claiming a credit for taxes paid to another state or country, attach a copy of the other state's or country's filed return.
 5. If you requested an Arizona filing extension, attach a copy of the Arizona extension request to the front of the return. If you are filing under a federal extension, make sure that you check either box D or F on page 1 of the return.
 6. If you itemize, be sure to attach a copy of the federal Schedule A.
 7. If you are claiming a property tax credit, attach a completed Form 140PTC and all required documents.

8. If you have tax exempt interest income, be sure to attach a schedule listing the payors and the amount received from each payor.

Filing Your Return

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are sending in with your return. Keep the copies for your records. Be sure that you file the original and not a copy.

To mail your return, use an envelope that came in your booklet.

Where Should I Mail My Return?

If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment, use the gold envelope. If the gold envelope is missing, send the return to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this return, use the green envelope. If the green envelope is missing, send the return to: Arizona Department of Revenue, PO Box 52016, Phoenix AZ 85072-2016.

Make sure you put enough postage on the envelope.

The U.S. Post Office must postmark your return or extension request by midnight April 16. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

How Long To Keep Your Return

Keep your records as long as they are important for any Arizona tax law. Keep all records that support your income and deductions for a tax year until the period of limitations expires for the return for that tax year. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under report the income shown on that return by more than 25 percent. The department can bring an action at any time if a return is false or fraudulent, or you

do not file a return.

Keep records that establish the basis of property for a period longer than four years. Also keep net operating loss records back to the date you incurred the loss. To find out more about what records you should keep, get federal Publication 552.

When To Expect Your Refund

Expect your refund in the mail within 8 weeks of the date you filed. If you have not received your refund by that time, contact one of the numbers listed on the back cover.

HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. **For purposes of this chart,** "income" means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 1, line 18 plus the amount on Form 140, page 2, line C15; or Form 140A, page 1, line 18, plus the amount on Form 140A, page 1, line 15). *To rely on this chart, you must claim the family income tax credit if you are qualified.* (**Reminder:** You cannot claim the family income tax credit on Form 140EZ, so, you must file Form 140A, rather than Form 140EZ if you are eligible for the family income tax credit.)

NUMBER OF DEPENDENTS	FILING STATUS			
	SINGLE	MARRIED FILING SEPARATE	UNMARRIED HEAD OF HOUSEHOLD	MARRIED FILING JOINT
0	\$ 7,100	\$ 7,100	N/A	\$ 14,200
1	(A) 10,000	10,000	16,500	20,000
2	10,300	11,350	20,135	23,600
3	12,600	13,650	23,800	27,300
4	14,900	15,950	25,200	(C) 31,000
5	17,200	18,250	(B) 26,575	31,000

EXAMPLES

	(A) single, \$10,000 income*, one dependent	(B) unmarried head of household, \$26,575 income*, five dependents	(C) married filing joint, \$31,000 income*, four dependents
Income*	\$ 10,000	\$ 26,575	\$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-3,600	-7,200	-7,200
Personal exemption	<u>-2,100</u>	<u>-4,200</u>	<u>-6,300</u>
Net taxable income	\$ 2,000	\$ 3,675	\$ 8,300
Tax (optional tax table)	\$ 58	\$ 105	\$ 239
less: Family tax credit	<u>-80</u>	<u>-240</u>	<u>-240</u>
Tax owed	\$ 0	\$ 0	\$ 0

*For purposes of these examples, "income" means Arizona adjusted gross income plus the dependent exemption amount claimed.